
Federal Home Loan Bank of Indianapolis Affordable Housing Program



2003 - 2004 Community Lending Plan

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1—Background

In 1998, the Federal Housing Finance Board adopted the Community Investment Cash Advance (CICA) regulation to provide FHLBanks an avenue for expanding community investment initiatives.

The CICA regulation requires each FHLBank to develop a Community Lending Plan. This plan is to be approved by the FHLBank's board of directors and requires each FHLBank to

1. conduct market research in its district,
2. describe how it will address the identified credit needs and market opportunities,
3. consult with its Advisory Council, members, nonmember borrowers, and public and private economic development organizations in its district, and
4. establish quantitative community lending performance goals.

The CICA regulation defines "community lending" as "providing financing for economic development projects or activities for targeted beneficiaries." The FHLBI's 2003-2005 Strategic Plan, the 2003 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBI's products and services. This approach is highlighted in our mission as follows.

The mission of the FHLBI is to maximize the value of membership through its support of Indiana and Michigan financial institutions by

1. creating and offering financial products and services that assist and improve its members' financing of housing and community lending,
2. promoting and contributing to activities vital for fulfilling affordable housing and community investment objectives,
3. providing a market return on the capital invested by shareholders, and
4. creating a challenging work environment in which all employees have the opportunity to reach their potential.

2—Market Needs Assessment and Results

In 2002, the FHLBI conducted separate surveys of our member institutions and nonprofit-housing, community development organizations, local units of government, state housing agencies and others. Participants were asked to assess needs that exist in their communities or with the constituents they serve on a scale of 1 to 5, with 5 being the greatest need.

The highest rated needs from the member survey are as follows.

Community development product or service	Avg. need rating
Downpayment and closing cost assistance on mortgage loans	3.00
Start up working capital and expansion loans for small business	2.56
Capital improvement loans for small business	2.44

The highest rated needs from the nonprofit survey are as follows.

Community development product or service	Avg. need rating
Downpayment and closing cost assistance on mortgage loans	3.35
Financing for special needs housing	3.28
Financing for affordable rental housing	2.44

The most important data received in this survey, however, was the response to the utilization of existing FHLBI community development products. Fifty-one percent of the member respondents who had not used the AHP indicated it was because of lack of knowledge and 47% had not used CIP for the same reason. The numbers were even greater in the Community Organization survey. This would indicate a continued need for education and outreach on the existing programs, perhaps in nontraditional formats, i.e., use of the Bank's website to assist in marketing efforts.

3—Community Investment Program

The Community Investment Program (CIP) provided financing for a broad range of projects in 2002. These included medical office buildings, infrastructure for commercial development, and numerous multi-family rental projects. The CIP continues to play an important role in multi-family tax credit developments. Investors in tax credit projects are increasingly requiring fixed rate, long-term commitments for the debt in these projects. Members rely on the CIP's flexibility and ease of use in addition to the attractive financing options in order to participate in these types of loans.

The FHLBI will continue to evaluate the synergies that exist between the New Markets Tax Credit program (NMTC) and the CICA product as the NMTC develops. The FHLBI will disseminate information regarding the NMTC and other economic development information to our member banks to increase their knowledge of this product.

4—Affordable Housing Program

The AHP continues to provide critical gap financing for affordable housing projects. AHP enables member banks to actively participate in the development of affordable housing, expand new relationships with non-profit and for-profit developers, and increase community presence.

Staff continues to pursue establishment of coordinated monitoring agreements with the housing finance authorities of Indiana and Michigan in an effort to increase program monitoring efficiencies. A draft agreement was submitted to the Michigan State Housing Development Authority in September 2002 for consideration.

5—Home Savings Program

The FHLBI took advantage of the changes provided by the FHFB in 2002 that allowed for an increase to 35% of annual AHP funds to be used for the set-aside program. The FHLBI will increase its set-aside allocation to the maximum 35%. In 2003, the FHLBI will continue its existing Home Savings Program for downpayment, closing cost, and rehabilitation assistance. In addition, the FHLBI will introduce two additional programs, the Neighborhood Impact Program (NIP) specifically for owner-occupied rehabilitation and the Homeownership Opportunities Program (HOP) for first-time homebuyers. The FHLBI will contribute 35% (approximately \$5 million) of the 2003 AHP contribution to these three programs. The pools will be distributed as follows.

1. 30% of the total set-aside (approximately \$1.5 million) will be targeted to the Homeownership Opportunities

Program (pursuant to § 951.3(a) (1)(ii) of the AHP Regulation).

2. 30% of the total set-aside (approximately \$1.5 million) will be targeted to the Neighborhood Impact Program.
3. 40% of the total set-aside (approximately \$2.0 million) will be targeted to the Home Savings Program.

6—Marketing, Outreach, and Community Support

“Tools & Rules”/“One-on-Ones”

In 2002, staff held a series of six workshops with approximately 200 people attending. The workshops were held in the following locations.

- Indianapolis, IN (2 locations)
- Lakeville, IN
- Novi, MI
- Mt. Pleasant, MI
- Mackinaw City, MI

A new format was utilized that allowed staff to spend the last half of each day-long workshop consulting with AHP applicants who were not successful in the prior round. In addition, the Mackinaw City workshop was held in conjunction with the Community Economic Development Association of Michigan (CEDAM). Staff will continue workshops/focus groups in 2003.

Staff will continue to publish the *HomeStretch*, which is an internally created newsletter designed to help members and sponsors with application submittals, and with monitoring and reporting of AHP and set-aside programs. FHLBI also publishes *Housing Matters*, which is a semi-annual publication used to highlight successful projects in our district. This publication may be revamped to include economic development information as well as housing.

7—2002 Goals

Goals	Accomplishments
\$100 million new originations in CIP advances.	\$142 million in new originations.
Issue \$10 million in CFI letters of credit to support multi-family housing, small business, small farm or agri-business (bank-wide goal).	Issued \$7.59 million in letters of credit to CFI members for such purposes.
Increase CFI lending (advances) for multi-family housing, small business, small farm or agri-business by \$10 million.	Increased outstanding advances by \$117.38 million.
Request for clarification on Section 149 of Internal Revenue Code as it relates to FHLBank credit enhancement of tax-exempt bonds.	IRS private letter ruling request was withdrawn. Legislative work continues in an attempt to clarify our authority to credit enhance tax exempt (non-housing) community development bonds.

8—2003 Goals

Goals for 2003 are as follows.

- Achieve a target of \$100 million new originations in CIP advances.
- Enhance website and *Housing Matters* with highlights of CIP/CICA projects as well as other economic development news, i.e., New Market Tax Credit (NMTC) information.
- Increase CFI lending (advances) and letters of credit by \$20 million. Letters of credit will be available to credit enhance bond issues for residential housing finance and taxable community economic development projects, and to facilitate member asset/liability management and liquidity.